



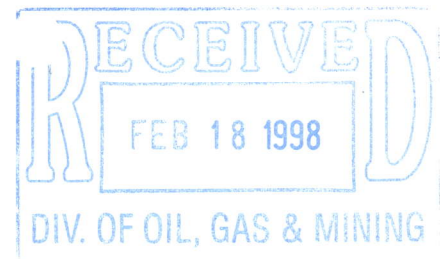
State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

David T. Terry
Director

675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818
801-538-5100
801-355-0922 (Fax)



5/015/066
ML-45089

February 17, 1997

Division of Oil, Gas, and Mining
Attn: Mr. Tony Gallegos
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

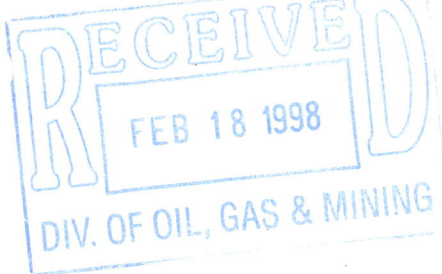
Dear Tony:

Enclosed is a copy of the Director's Agenda which specifies the provisions of the settlement agreement reached with **Chimney Rock Resources, Inc.** for the Division of Oil, Gas, and Mining files. The Director has approved this action. Consequently, the mineral leases held by Chimney Rock Resources, Inc. have been terminated. The School and Institutional Trust Lands Administration appreciates the Division of Oil, Gas, and Mining assistance in this matter.

If you have any questions I can be reached at (801)538-5142.

Sincerely,

Justin J. Quigley
Attorney



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APPROVAL OF OTHER BUSINESS ARRANGEMENT, ML 47711-OBA-COAL (CONTD.)

administered lands for comparable coal reserves in the State of Utah in the previous five years. The development agreement shall provide for a method of negotiating or calculating the amount and timing of the bonus payment, and for arbitration in the event that agreement cannot be reached. During the primary term of the development agreement Andalex Resources Inc. shall annually pay the Trust Lands Administration a holding fee of \$4,000, on or before the anniversary date of the agreement. The production royalty rate shall be 8% of the gross value at the mine mouth of the coal that is mined, but not less than the value of coal from adjacent federally administered lands. The advance minimum annual royalty shall be on the basis of 2.5% of the royalty value of the estimated remaining recoverable coal reserves in the subject lands.

This agreement also contains other standard contract terms and conditions governing minerals development upon trust lands.

ML 47711-OBA-Coal

Andalex Resources Inc.
45 W. 10000 So. Suite 401
Sandy, UT 84070

T14 S, R13 E, SLB&M
Sec. 2: Lots 1-4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$

Carbon County
641.24 acres

T13 S, R13 E, SLB&M
Sec. 36: SW $\frac{1}{4}$

Carbon County
160.00 acres

FUND: SCH - 801.24

Beginning Date: Feb. 1, 1998.

Expiration Date: January 31, 2003

Upon recommendation of Mr. Blake the Director approved ML 47711-OBA-COAL.

S/OIS/066 ML-45809

SETTLEMENT AGREEMENT REGARDING ML 45089-BSLS, ML45543-BSLS; C.D. #2420731

The Trust Lands Administration has entered a settlement agreement, dated January 30, 1998, to resolve a dispute with Chimney Rock Resources Inc., a Utah Corporation, c/o Duane A. Frandsen, Esq., 395 W. 4650 N., Provo, UT 84604, regarding mining activities which were conducted in violation of the terms and conditions of the above numbered mineral leases. The Trust Lands Administration agrees to release Chimney Rock Resources and its agents from any and all actions or claims arising in connection with past mining activities upon the subject lands. Chimney Rock Resources Inc. agrees to release the Trust Lands Administration and its agents from any and all actions or claims arising in connection with past mining activities upon the subject lands. Chimney Rock Resources further acknowledges that it is in default as a consequence of its unauthorized mining activities upon the subject lands and agrees as follows.

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SETTLEMENT AGREEMENT REGARDING ML 45089-BSLS, (CONTD.)

1. Chimney Rock Resources Inc. shall pay the Trust Lands Administration a royalty of not less than \$500.00 for the limestone which it mined and removed from the subject lands.

2. Chimney Rock Resources Inc. forfeits its reclamation bond posted on May 15, 1996, as secured by Certificate of Deposit No. 2420731 for the amount of \$2,000, plus accrued interest.

~~The Trust Lands Administration shall obtain~~ the funds in the C.D. account ~~and shall perform such reclamation as~~ may be determined necessary for the mined lands.

3. Chimney Rock Resources Inc. relinquishes all of its right title and interest in trust lands mineral leases ML 45089-BSLS and ML 45543-BSLS, described as follows.

ML 45089-BSLS	<u>T19S, R12E, SLB&M</u>	Emery County
FUND: SCH	Sec. 11: E $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	320.00 acres
	Sec. 12: NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$	

ML 45543-BSLS	<u>T19S, R12E, SLB&M</u>	Emery County
FUND: SCH	Sec. 1: S $\frac{1}{2}$ SW $\frac{1}{4}$	80.00 acres

The relinquished lands should not be offered for building stone or limestone mineral leasing at this time due to the moratorium currently in effect upon Limestone mineral leasing of trust lands.

Upon recommendation of Mr. Blake the Director approved the above described settlement agreement with Chimney Rock Resources Inc.